

The Washington Merry-Go-Round

THE WASHINGTON POST Wednesday, Jan. 24, 1962 D11

McCone Won't Sell Oil Stock

By Drew Pearson

Senators who questioned John McCone, new Central Intelligence Chief, last week seemed most concerned about

his position as one of the biggest stockholders in Standard Oil of California. In the back of their minds was the influence this might have on McCone's CIA recommendations regarding Arabian oil, Israel, and one of the world's key trouble spots—the Near East.

Pearson

Senators who listened to McCone's cool, quiet denials that his \$1,000,000 personal investment in Standard of California would influence his decisions, did not know that only one night before he had had dinner with Ted Peterson, long-time head of Standard of California.

Peterson had come to Washington for the express purpose of using his personal influence and charm on any Senators who might be opposed to McCone's confirmation, and conferred with McCone on the eve of the Senate hearing.

This in itself would indicate how important the oil company considers McCone's appointment to the key post of Central Intelligence. Chairman Dick Russell of Georgia also confirmed its importance

by declaring solemnly that McCone's job was "second only to the Presidency in its importance."

But Russell showed his annoyance when Senators wanted to question McCone by pointedly reading his personal mail during the critical questioning. Then he studied a coat-of-arms design and tried to interest Sen. Margaret Chase Smith in it.

The lady from Maine, however, was not to be deterred. She brought out that McCone owned \$1,000,000 worth of stock in Standard Oil of California, one of the four founders of the Arabian-American Oil Co.

"It is clear," she pressed, "that the Central Intelligence Agency must make some evaluations, recommendations and reports to the President regarding the Middle East. Do you see any possibility of conflict of interest on these matters as CIA director when you have such large holdings in these oil companies?"

"The amount of my holding in Standard Oil of California that you mentioned is approximately correct," McCone admitted. "It might be a little larger than the figure you mentioned. But quite aside, my opinion is that the holding of stock in an oil company or in several oil companies would have no effect whatsoever on my activities as director of Central Intelligence."

Sen. Russell had said that it would not be necessary for

McCone to sell his oil stock or his shipping company stock.

When Sen. Bartlett brought up the subject, Massachusetts blueblood Sen. Leverett Saltonstall fidgeted with irritation.

"Mrs. Smith has already asked that one," Saltonstall whispered fussily. "She has already asked those questions."

Aramco's Record

But Bartlett considerably poured McCone another glass of water and went on with his questioning.

"Do you know," he inquired softly, "if Standard of California is a member of the Arabian-American Oil Co.?"

"Yes, it is," acknowledged the CIA nominee.

"And, of course, all of us have heard that this company, operating in the Middle East, has at various times intervened or participated or interfered in the operations of governments in those areas," observed Bartlett. "Would you have any comment to make upon that?"

"In my trips to the Middle East," McCone replied coolly, "I have observed that the Aramco people handled their relationship with the governments of Arabia and Bahrain Island in a very satisfactory way, and so reported to me. I don't know of any interference."

The Senators, perhaps in deference to Russell's scowls and Saltonstall's fidgeting, did not press McCone further. But in the files of the Senate investigating committee and the

State Department is an amazing record of oil-company intervention on the side of the Arab states. It includes:

1. An advance of \$200,000,000 in oil royalties to King Saud to finance the 1956 arms buildup against Israel.

2. A Senate report that the \$4,000,000 United States base in Saudi Arabia was built without congressional authorization in order to help out the Arabian-American Oil Co. in its relations with King Saud.

3. A Senate investigating committee report that Aramco overcharged the United States Navy \$67,000,000 on wartime oil in order to help Saudi Arabia.

This report, signed by the late Senator Brewster of Maine, states: "To induce the grant of aid to the Saudi Arabian government, the Arabian-American Oil Co. offered to sell to the United States at prices based on fuel oil at 40 cents a barrel.

"When the United States needed oil because of its war demands, notwithstanding these prior proposals, the companies offered the Navy fuel oil at \$1.05 a barrel on a take-it-or-leave-it basis. The Navy was forced to buy the oil on these terms.

"The oil companies," concludes the Senate report, "exploited the Government by exacting high prices, despite the assistance granted Saudi Arabia at the companies' request to protect and preserve the companies' concessions."

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THE WASHINGTON POST Monday, January 22, 1962 B19

McCone Holdings Suggest Conflict

By Drew Pearson

Some of the Democrats who shouted loudly and continuously about conflicts of interest in the Eisenhower Administration are now loath to talk about possible conflicts in the Kennedy Administration—especially the dubious position of John A. McCone, new chief of Central Intelligence.



Pearson

This column was one which helped expose some of the conflicts among Eisenhower officials, therefore feels obligated to do the same with Democrats.

One of McCone's most important investments is in Standard Oil of California and Standard Oil of New Jersey. He has been a director of the former, and its report to stockholders as of Aug. 1, 1961, lists him as owning 18,318 shares, on top of which he received a stock dividend of 915 shares, which, at the current value of \$53.50, gives the new CIA chief an investment of \$1,028,965.50 in Standard of California.

This makes him the second biggest stockholder in a company whose profits and future are materially influenced by Central Intelligence.

McCone, when up for confirmation to past Government posts, has declined to sell his stock in these oil companies but put them in a trust. Secretaries of Defense Charley Wilson and Robert McNamara would have been

delighted to put their stock in General Motors and Ford in trust, but were not permitted to do so.

Effects on Israel

It happens that Standard of California and Standard of New Jersey control the Arabian American Oil Co., which operates perhaps the most fabulous oil concession in the world, with reserves estimated to last around 100 years.

It also happens that the Near East is a field where Central Intelligence has played an all-powerful role and usually swung its weight against Israel, the only democratic country in that area. The CIA has probably influenced policy more than the State Department, and it has nearly always sided with the oil companies.

Here are some illustrations of how events have been influenced in the Near East:

Illustration No. 1—In 1952, CIA maneuvered an Egyptian revolt that kicked out King Farouk and substituted the Naguib-Nasser rule. This may or may not have been a good thing, but there is no question but that the coup was organized by CIA, that it led to the strengthening of Egypt in the Arab world.

Illustration No. 2—When John Foster Dulles sent George Allen, then Assistant Secretary of State, with a special message to President Nasser, it was the Central Intelligence director for the Near East, Kim Roosevelt, who told Nasser to ignore the Dulles message.

Illustration No. 3—During the Suez war of 1956, it was Central Intelligence which sent in the reports that guided President Eisenhower

in making his decisions. These reports may have been completely conscientious and accurate. But they ought not to be made by a director who has heavy investments in the major American oil companies affected by the Suez war.

Illustration No. 4—Just prior to the Suez war, Nasser put the bite on the Arabian-American Oil Co., through his friend King Saud of Saudi Arabia, to collect \$200 million of advance oil royalties. This was used, directly, to purchase the huge arsenal of Czech arms which Egypt amassed on Israel's border prior to the Suez war. It was this build-up of arms that touched off the war.

Profits vs. Strategy

Illustration No. 5—During the Suez war, Syria served an ultimatum that it would cut the pipelines crossing her territory if any American oil were sold to the French and British. The United States promptly curtailed all oil shipments to the French and British. The CIA Director, who must necessarily participate in such a decision, should not be a heavy stockholder in oil companies that are affected.

Illustration No. 6—During the first three months of 1957, immediately following the Suez crisis, Standard of New Jersey raked in the huge income of \$237,000,000—16 per cent more than in the same period of the previous year. In the same period, California jumped its profits 13 per cent. This resulted directly from the Suez crisis and a resultant boost in the price of oil. The man who heads CIA, even

though he leans over backward to be impartial in his judgments, should not be a big stockholder in companies likely to profit from his decisions.

Illustration No. 7—It was CIA which secretly organized the political maneuver which kicked Premier Mossadeq out of Iran. He had seized the Anglo-Iranian oil refinery. Anglo-Iranian is a competitor of Aramco. The head of CIA, with oil stock, should not be in a position where he has to undertake operations for or against competitors of the companies in which he has an interest.

Illustration No. 8—The oil-rich sheikdom of Kuwait right now is in throes of trouble with oil-rich Iraq. Britain gets most of its oil from Kuwait. Some of Kuwait's oil also goes to Sun Oil, Union Oil, and Gulf—all competitors of Standard of New Jersey and Standard of California in which McCone holds heavy interest.

Again, a CIA director, no matter how conscientious, should not be a man who directly or indirectly must handle operations which could affect his own companies or his competitors.

NOTE—McCone's wholly owned Joshua Hendy shipping line with his partner, State's Marine (which got the prize atomic merchant ship Savannah contract when McCone was atomic chairman), got \$2 million in charter hire contracts from Standard of California in 1960 and they have continued to do a profitable business with it since.

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